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KAISER ENTERS GUILTY PLEA IN \$2 MILLION SUREWEST SCAM

SACRAMENTO: United States Attorney McGregor W. Scott announced today that Henry M. Kaiser, 59, of Piedmont, has pleaded guilty to interstate transportation of money obtained by fraud and conducting a monetary transaction in criminally derived property in connection with the misappropriation of \$2 million from SureWest Communications, a publically traded company based in Roseville, California. The guilty plea was entered before United States District Judge Morrison C. England.

This case was investigated by the FBI and IRS Criminal Investigation Division with assistance from the U.S. Securities and Exchange Commission.

According to Assistant United States Attorney R. Steven Lapham, who is prosecuting the case, Larry J. Wells and Henry M. Kaiser owned, and operated a venture capital company called Quivira Ventures. Jeffrey Wells, the son of Larry Wells, was a senior treasury analyst for SureWest Communications. In that capacity, Jeffrey Wells had access to large amounts of SureWest's funds. Beginning in January, 2003, Jeffrey Wells wire transferred SureWest funds to Quivira in amounts of up to \$25 million. Kaiser admitted that at the time these transfers were made he and Larry Wells knew that Jeffrey Wells did not have authority to make such transfers, believed that Jeffrey Wells was the only SureWest employee who was aware of the transfers, and knew that there was no documentation memorializing any agreement between SureWest and Quivira Ventures regarding the money. Kaiser also acknowledged that he and Larry Wells then transferred the funds to various Quivira Ventures accounts, including accounts in Europe. The purpose of these transfers was so that Quivira could demonstrate to potential investors that it had sufficient funds on deposit to be a venture capital firm and thereby qualify for funding proposals. Kaiser also admitted that in order to cover up the scheme, Quivira would periodically return the misappropriated funds to SureWest so that SureWest auditors would not discover that the funds were missing. However, Jeffrey Wells would typically return these funds to Quivira a short time later.

In September, 2003, Kaiser and Larry Wells gave instructions to Union Bank of Switzerland to transfer \$2,000,000 of those funds out of Quivira's control, and into an account under the name of "Lybra" at Banca di Roma in Luxembourg. That money has not been recovered.

After accepting the guilty plea Judge England scheduled the matter for sentencing on

July 27, 2004. Based on his plea, Kaiser faces a maximum penalty of 20 years in prison.

IRS Special Agent in Charge Victor S. O. Song - "IRS is committed to contributing its investigative expertise to fraud investigations such as this one to protect the interests of the taxpaying public. Corporate fraud affects all of us. No one is above the law."

A copy of this news release is available at <http://www.usdoj.gov/usao/cae/home>, select Press Releases.

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